

# EMBASSY OF PAKISTAN ECONOMIC DIVISION

JULY 1, 2009

## PUBLIC SECTOR DEVELOPMENT PROGRAM FISCAL YEAR 2009-10

### I. Policy Framework

- **Policy Framework** for socio-economic development and strategic thrust is derived from Nine Pillars reflected in the Poverty Reduction Strategy Paper 2008
  - **Macroeconomic Stability** and Real Sector Growth.
  - **Protecting** the Poor and the Vulnerable.
  - **Increasing Productivity** and Value Addition in Agriculture.
  - **Making Industry** Internationally Competitive.
  - **Capital** and Finance for Development.
  - **Removing Infrastructure** Bottlenecks through Public Private Partnerships
  - **Integrated Energy** Development Program
  - **Human Capital** Development for the 21st Century.
  - **Governance** for a Just and Fair System.

### II. Strategy

- **Major elements** of the Annual Plan 2009-10 strategy include:
  - **Ensure economic recovery** consistent with stabilization

- **Maintain momentum** of agriculture growth together with support policies for revival of industries
- **Address critical infrastructure gaps** in water, power and transport for enhancing competitiveness
- **Achieve Millennium Development Goals** and reduce poverty through a comprehensive social protection system with an exit strategy
- **Facilitate balanced development** in the country by reducing regional disparities; and
- **Rehabilitation** and reconstruction of conflict affected areas

### **III. PSDP Outlay**

- **Development Program** is **Rs 783.1 billion** in 2009-10 against the revised estimates of Rs 421.9 billion for 2008-09, an increase of 85%.
- **Public Sector Development Program** is pitched at Rs 646 billion in 2009-10 with an operational shortfall of Rs 20 billion against revised estimates of Rs 419 billion in 2008-09 while Rs 157 billion has been allocated for Other Development Expenditure
- **PSDP size** is 54% higher than the revised estimates 2008-09
- **PSDP size** is equal to 4.4% of GDP compared to 3.2% in revised estimates 2008-09
- **Share of development expenditure** in total budgetary outlay increased to 25.7 percent as against 22.2 percent in 2007-08
- **Federal PSDP for the year 2009-10** has been estimated at Rs 446 billion i.e 66% higher than the revised estimates 2008-09 of Rs 269 billion
- **Share of Federal Ministries/Divisions** in 2009-10 PSDP is Rs 285 billion showing a rise of 96% over revised estimates 2008-09
- **Corporations' PSDP 2009-10** has been placed at Rs 63 billion indicating an increase of 32% over revised estimates 2008-09
- **Special Program** have been allocated a sum of Rs 35 billion in PSDP 2009-10 indicating an increase of 25% over revised estimates 2008-09

- **Earthquake Rehabilitation and Reconstruction Authority (ERRA)** has been allocated Rs 25 billion for budget estimates 2009-10
- **Development of Special Areas** i.e AJ&K, N.A and FATA is allocated Rs 38 billion has been provided in the budget 2009-10 which is higher by 55.7% as compared with revised 2008-09
- **Provincial program for 2009-10** has been estimated at Rs 200 billion

RS IN BILLION

▪ <b>Federal PSDP</b>		<b><u>421.000</u></b>
○ Share of Ministries		284.855
○ Corporations		62.758
○ Special Programs		35.000
○ Special Areas Development Program		38.386
▪ <b>ERRA</b>		<b>25.000</b>
▪ <b>Provincial Development Program</b>		<b>200.000</b>
▪ <b>Other Development Program</b>		<b>137.100</b>

#### **IV. PSDP Broad Distribution**

	Allocation Rs in Billion	%Share
Infrastructure	219.000	52.0
Social Sectors	163.000	39.0
Agriculture, Industry, Minerals Others	19.000	4.0
Science and Technology	13.000	3.0
Environment	7.000	2.0
<b>Total</b>	<b>421.000</b>	<b>100.0</b>

#### **V. PSDP Sectoral Allocation**

**Infrastructure**

**Water**

- **Water sector's** allocation has been proposed Rs 60 billion which comes to 14% of the total federal program. 32 small and medium dams, 8 in each province, are being financed. Similarly adequate allocation has been made to projects such as national program of water courses, irrigation system rehabilitation, lining of canals and distributions etc. For water resource development Rs 57.8 billion has been allocated in 2009-10 against likely utilization of Rs 36.2 billion in 2008-09. Some important projects of this sector are: Raising of Mangla Dam including Resettlement, Improvement of Water Courses, Thal, Kachhi and Raineer Canals, Mirani, Sabakzai, Satpara and Gomal Dams, Khanki Barrage, RBOD II and RBOD III.
- **Mangla Dam** Raising Project (including resettlement) have been allocated Rs 12 billion to store 2.88 MAF additional water during next monsoon season.
- **Basha Diamer Dam** will be initiated during 2009-10. Government & WAPDA would arrange finances to the tune of Rs 23 billion.

## Power

- **Overcoming energy shortage** has been accorded the highest priority. Accordingly, an allocation of Rs 41.3 billion has been earmarked to this sector in 2009-10 against likely utilization of Rs 18 billion last year. Portfolio of the power projects includes Bhasha Dam, Guddu, Chicho Ki Malian and Nandi Pur Power Plants, Neelum-Jhelum, C2, C3 and C4, Golan Gol, Khan Khawar, Allai Khawar, Dubair Khawar, Jinnah Hydro Power and Thar Coal. Investment by the Government and WAPDA from its own resources during 2009-10 would be around Rs 139 billion for power generation and conservation. This will not only make available additional power but also help in reducing cost of doing business.
- **Nuclear sources** would also be used for power generation; projects like C3, C4 with an investment of Rs 190 billion are being initiated. An amount of Rs 4.6 billion has been allocated to the project in PSDP 2009-10. The project would generate 600 MW electricity by 2016.
- **Thar Coal** infrastructure will be developed. The World Bank has pledged grant assistance for preparation of project. The Government of Sindh is being allowed to negotiate loan with the World Bank. The federal government has allocated Rs 1.0 billion to be matched by Government of Sindh.

## Transport and Communications

- **Transport and Communication** sector has been allocated Rs 82 billion. Of this amount, about Rs 45.7 billion are allocated for **NHA**. This would ensure economic integration and balanced regional development. To fully exploit the increase intra-regional trade through an improved trade corridor, physical infrastructure and trade logistic and services to make business more competitive are being revamped. Inland water ways transportation through public-private partnership would also be improved.
- **Highways** development program for 2009-10 includes major projects such as Rehabilitation and Improvement (KKH), Widening and Improvement of N-65, Hoshab-Nag-Basima-Sorab, Faisalabad-Khanewal Expressway, Bridge over River Indus at Larkana, National Highway Development Project, Lowari Rail Tunnel Project, Peshawar Northern Bypass and NWFP Road Development Sector.
- **Railway** has been allocated Rs 11.7 billion in 2009-10 against Rs 6.6 billion in 2008-09. Some of the important projects included in the PSDP are Damages to Railway Assets during Riots in December, 2007, Track Rehabilitation, Procurement/Manufacturer of 1000 High Capacity Wagons, Replacement of Signaling Equipment from Khanewal to Shahdara, Doubling of Track (Raiwind-Khanewal) and Establishment of Inland Container Terminal at Shershah Railway Station.

## Physical Planning and Housing (PP&H)

- **Housing** program for the poor and government servants started during 2008-09 would continue with an allocation of Rs 1.1 billion. This amount would be used as a revolving fund. An allocation of Rs 12 billion has been made for PP&H, whereas, an amount of Rs 4 billion has been utilized in 2008-09. Major projects included in the sector are Housing for All, Government Buildings and Government Servant Housing, Rural Water Supply and Sanitation, Development of Slum Areas and Formulation of National Spatial Strategy.

## Social Sectors/Poverty Reduction

### Education

- For basic education an amount of Rs 9.4 billion has been allocated in 2009-10 for such ongoing projects as Capacity Building of Teachers,

Basic Education, Community Schools and Education for All. For higher education Rs 22.5 billion has also been earmarked to fund national and international scholarships and university expansion/up-gradation projects.

- **Science and technology** Rs 3.9 billion has been set aside mainly for 129 Scientific and Technological Research Schemes.
- **Information and Telecommunication Technology:** In the PSDP 2009-10 Rs 7.4 billion has been earmarked against Rs 6.3 billion in 2008-09. Higher allocation has been made to further enhance the Human Resource Development, IT Industry Development, E-Government and Infrastructure Development.
- **Allocation for education and training** have been increased from Rs 17 billion to Rs 32.5 billion (91%) so as to ensure availability of qualified human resources to match the highly competitive world market.

## Health

- **Allocation for the health** sector has been increased by 86% from Rs 14 billion to Rs 26 billion, reflecting overall continuous emphasis on improving the productivity of human capital and general quality of life. Major programs include EPI (Rs 6 billion), MCH (Rs 3 billion) and Primary Health Care (Rs 6.8 billion). The number of **Lady Health Workers** (LHW) will be increased during the next financial year to achieve the target of 200,000 and provide health facilities at the door step in rural areas. Some of the major projects constituting portfolio of health sector includes Family Planning and Primary Health Care, Expanded Program of Immunization, National Maternal Neonatal and Child Health Program, Khyber Institute of Child Health and Children Hospital, Shaheed Benazir Bhutto Medical Complex, Karachi, 300 Beds Hospital, Kemari, Karachi, 300 Beds Hospital, Benazirabad, Medical Colleges at Khuzdar and Loralai and Up-gradation of Cancer Treatment Facility at NMC, Multan.
- **Population Welfare** has been allocated Rs 4.8 billion this year against Rs 3 billion last year for both federal and provincial programs.

## Skill Development

- **Skills Development:** For NAVTEC & NCHD a sum of Rs 4 billion has been allocated in 2009-10 against Rs 2 billion last year.

- **Establishment of technical institutes** of international repute in 27 Districts all over the country with a total cost of Rs 7 billion.
- **Hunarmand Pakistan Program** of NAVTEC is allocated Rs 1.5 billion To sharpen the skills of the labor force. This amount would be used as a revolving fund.

**Environment:** The federal PSDP has earmarked Rs 5 billion for environment projects such as Greener Karachi Program, PPP Based Environment Friendly Transport and Development of Forestry Sector Resources for Carbon Sequestration all over Pakistan.

### Good Governance

- **Good Governance:** An amount of Rs 12.1 billion has been allocated in 2009-10 against expenditure of Rs 9.7 billion last year. Funds have been allocated mainly for governance reforms projects and programs such as Tax Administration Reforms, Improvement in Audit and Accounts, Public Sector Capacity Building, Access to Justice, Devolution and Police Reforms and Public Information and Statistical Management.

### Productive Sectors

- **Integrated Agriculture** Marketing and Storage Infrastructure project is being initiated to ensure food security which in return helps to reduce poverty and better quality of life in the shape of higher incomes to farmers. An allocation of Rs 9 billion has been made in 2009-10 against the likely utilization of Rs 6.9 billion last year. Investment has been increased to boost productivity to ensure vital food security. Major ongoing and new projects include Water Conservation and Productivity Enhancement, Productivity Enhancement of Small Farmers, Land and Water Resource Development, Agri-business Development and Diversification, Special Initiative for Livestock, Aqua Culture and Shrimp Farming, Research for Agriculture Development and Milk collection/ processing.
- **Modern grain storage** facilities would be created with an investment of Rs 27 billion To save agricultural produce
- **Public Private Partnership in the field of dairy products** is being introduced with equity of Rs 3.5 billion. The Government would play advisory role while private sector would implement the project.

- **Industry:** Allocation for 2009-10 stands at Rs 8.9 billion against expected utilization of Rs 5 billion in 2008-09. Some of the projects accommodated in the PSDP are Export Processing Zone Balochistan, Development of Marble and Granite, Gem and Jewellery Development and Industrial Estate including ROZs.
- **Reconstruction Opportunity Zones (ROZs)** in NWFP and Balochistan are being established with an allocation of over Rs 3 billion.
- **SMEs Advisory Services** in the areas of khadi and leather crafts are being initiated.

### Special Areas

**Allocation for Special Areas (AJK, NA & FATA)** have been enhanced from Rs 16 billion to Rs 38 billion (123%) with a view to accelerate development in less developed areas.

## **VI. TARGETING THE POOR AND THE VULNERABLE**

- **Under BISP**, Rs 70 billion will be disbursed to 5 million households during 2009-10 as against Rs 22 billion distributed to 1.8 million beneficiaries during 2008-09, an increase of 250 % in rupee and 178 % in beneficiaries
- **Workfare** has been allocated Rs 35 billion for works in electricity, gas, farm to market roads and water supply
- **Benazir Income Scheme** costing over Rs 4 billion is being launched to assist small farmers

**Ministry-wise distribution of allocation is at the following pages**

## SIZE OF PSDP

(Rs in Million)

<b>Classification</b>		<b>Budget 2008- 09</b>	<b>Revised 2008- 09</b>	<b>Budget 2009-10</b>
<b>(i)</b>	<b><u>Federal Ministries/Divisions</u></b>	<b><u>233656</u></b>	<b><u>145674</u></b>	<b><u>284855</u></b>
1	Cabinet Division	2822	572	4919
2	Pakistan Atomic Energy Commission	15331	15000	21534
3	Pakistan Nuclear Regulatory Authority	458	258	447
4	Commerce Division	463	304	839
5	Communications Division	312	312	266
6	Ports & Shipping Division	372	140	579
7	Culture Division	413	187	450
8	Sports Division	350	140	583
9	Youth Affairs Division	34	22	48
10	Tourism Division	19	10	177
11	Defence Division	4939	2295	7584
12	Defence Production Division	1450	515	1677
13	Economic Affairs Division	12	8	16
14	Education Division	6270	4162	8098
15	Higher Education Commission	18000	16400	22500
16	Environment Division	2223	1142	2969
17	Establishment Division	293	150	130
18	Local Govt. & Rural Dev. Division	108	52	444
19	Finance Division	14770	6368	44799
20	Revenue Division (FBR)	2371	1547	2448
21	Food & Agriculture Division	20516	14407	17977
22	Livestock & Dairy Development Division	0	0	2548
23	Foreign Affairs Division	407	261	250
24	Health Division	19010	13990	23156
25	Industries and Production Division	10459	2529	8772
26	Information & Broadcasting Division	1038	406	916
27	Information Tech. & Telecom Division	1976	800	1119
28	Interior Division	6943	5359	7031
29	Labour Manpower & OP Division	124	64	135
30	Law and Justice Division	2381	1500	2551
31	Narcotics Control Division	768	384	679
32	Overseas Pakistani Division	3	3	0

Contd.....

(Rs in Million)

Classification		Budget 2008- 09	Revised 2008- 09	Budget 2009-10
33	National Reconstruction Bureau	77	40	50
34	Petroleum & Natural Resources Division	850	201	2374
35	Planning and Development Division	11455	10157	18685
36	Population Welfare Division	4315	3000	5271
37	Postal Services Division	0	0	300
38	Railways Division	11280	6560	12681
39	Textile Industry Division	770	308	510
40	Science & Technological Research Division	3015	1510	3140
41	Statistics Division	175	97	180
42	Special Initiative Division	0	0	2794
43	Water & Power Division	62320	31210	47031
44	Women Development Division	184	113	344
45	Social Welfare & Special Education	510	354	488
46	Housing & Works Division	4070	2837	5365
<b>(ii)</b>	<b><u>Corporations</u></b>	<b><u>50637</u></b>	<b><u>47493</u></b>	<b><u>62758</u></b>
1	WAPDA (Power)	14137	11409	22835
2	National Highway Authority	36500	36084	39923
<b>(iii)</b>	<b><u>Special Programme</u></b>	<b><u>62420</u></b>	<b><u>28000</u></b>	<b><u>35000</u></b>
1	People's Works Programme-I	4420	4000	5000
2	People's Works Programme-II	24000	24000	30000
3	Income Support Fund	34000	0	0
<b>(iv)</b>	<b><u>Special Area</u></b>	<b><u>26277</u></b>	<b><u>24655</u></b>	<b><u>38386</u></b>
1	Azad Kashmir	11997	10375	17154
2	Northern Areas	5618	5618	8367
3	FATA	8662	8662	12865
<b>A</b>	<b>Federal Programme ( i to iv)</b>	<b><u>372990</u></b>	<b><u>245822</u></b>	<b><u>421000</u></b>
<b>B</b>	<b>ERRA</b>	<b><u>26719</u></b>	<b><u>23145</u></b>	<b><u>25000</u></b>
<b>C</b>	<b>Provincial Programme</b>	<b><u>150000</u></b>	<b><u>150000</u></b>	<b><u>200000</u></b>
	<b><u>Total PSDP (A+B+C)</u></b>	<b><u>549709</u></b>	<b><u>418967</u></b>	<b><u>646000</u></b>